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RUEHUL/AMEMBASSY SEOUL IMMEDIATE 3400
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 1450
RUEHNH/AMCONSUL NAHA IMMEDIATE 3878
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 5013
RUEHKS/AMCONSUL SAPPORO IMMEDIATE 2310
RUEHIN/AIT TAIPEI IMMEDIATE 6463
RUALSFJ/COMUSJAPAN YOKOTA AB JA IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002558

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SUBJECT: PENSION CRISIS LEADS TO CHANGES IN LDP PLATFORM

REF: TOKYO 2507

Classified By: AMBASSADOR J. THOMAS SCHIEFFER, REASONS 1.4(B),(D).

¶1. (C) Summary. Alarmed by plunging approval ratings, the ruling Liberal Democratic Party (LDP) has reordered the party's platform for the upcoming Upper House elections. Pension reform has replaced Prime Minister Abe's core issue of constitutional revision as the top item in the LDP's list of 155 platform promises. Gone is mention of collective self-defense. Political analysts and LDP party professionals confirmed to Embassy Tokyo that the change reflects a sense of crisis in the LDP, amidst growing pessimism that the LDP and its coalition partners can hold on to a majority in the Upper House in July. These pressures have also led to a change in strategy for the remainder of the current Diet session. End summary.

¶2. (C) The ruling Liberal Democratic Party's (LDP) revised campaign platform, released June 5 in advance of the July 22 Upper House elections, emphasizes bread-and-butter issues. Headlining the new agenda is a series of measures aimed at curbing public anger over the recent Social Security Agency (SIA) pension scandal (reftel). The new platform calls for the speedy resolution of unidentified pension accounts, unification of existing pension schemes, elimination of the five-year statute of limitations on filing back claims for unidentified or misidentified payments, and elimination of taxes on lump-sum payments made to correct SIA accounting errors. The platform also calls for passage of a bill to address the practice -- known as "Amakudari," or "descent from heaven" -- by which government agencies arrange lucrative post-retirement employment for senior bureaucrats. There are also amendments to the Political Funds Control Law, in response to a series of recent money scandals. Considerably further down the list are two of Prime Minister Abe's key priorities, constitutional revision and resolution of the DPRK abductions issue. The document calls for the LDP to submit a bill on constitutional revision in the 2010 Diet session, a timetable set by the recently passed National Referendum Law, and urges the party to use the "nation's credibility" to bring all of the abductees home.

¶3. (C) Collective self-defense, which made the original platform draft, has been dropped.

14. (C) The LDP policy platform shows the degree to which Prime Minister Abe has been affected by the public outcry over bungled record-keeping at the Social Insurance Agency (SIA). According to press reports, the shift from Abe's core ideological issues, such as constitutional reform and collective self-defense, to livelihood issues, such as pensions and healthcare, reflects a sense of crisis within the party. LDP policy Chief Shoichi Nakagawa told the press on June 5 that some of the new policy goals had been inserted as "urgent issues." An LDP insider told the Embassy the same day that the new platform shows how desperate the situation has become, and criticized Abe for failing to appoint a central figure to coordinate election strategy. Abe was quoted in the press on June 7 as saying: "The public is highly interested in the pension issue and the national shortage of doctors. This is only natural. I will make my appeal to the public on the constitutional revision issue as a medium-term issue." The shift from a conservative, security-focused agenda has the added benefit of shoring up support from junior coalition partner Komeito, which is accountable to its pacifist-leaning Soka Gakkai religious base.

15. (C) The forecast for the ruling coalition in the July elections has grown cloudier in the weeks since the May 28 suicide of Agriculture Minister Matsuoka and the revelations of sloppy accounting at the SIA. LDP election chief Yoshio Yatsu told the Embassy on June 6 that only 12 of 29 single-seat district races were safely in the hands of the LDP, a big drop from his prior public statements that the party would get 20 of the 29 seats, most of which are in the traditional rural strongholds of the LDP. An even more

TOKYO 00002558 002 OF 002

skeptical LDP insider projected the ruling coalition could fall 16 seats short of a majority in the Upper House. News that the Japan Self-Defense Forces (JSDF) collected data on domestic groups, including the media and members of the opposition parties, opposed to JSDF deployments in Iraq may cause support for Abe and the LDP to slip even further (septel).

16. (C) The pension crisis has also affected the LDP's plans for the remainder of the Diet session, set to run until June 23. Embassy contacts have confirmed that the party is not likely to seek the passage of bills to create a Japan National Security Council, unify pension schemes, or amend the Broadcast Law until sometime after the extraordinary Diet session opens in September. Given the volatile nature of the electorate at this time, it is in the ruling coalition's best interests to avoid any unnecessary debate with the opposition -- or Komeito -- over controversial legislation. For example, the pension issue is now political dynamite, and the government must focus resources on passing remedial legislation to deal with the accounting deficiencies before it can take up the long-term goal of unifying the various pension schemes.

17. (C) To counter criticism, the LDP will focus on passage of remedial pension legislation that is under consideration in the Upper House. A contact at LDP headquarters told the Embassy that party leaders are convinced their legislation is much more "realistic" than the DPJ's alternative proposals, and are ready to explain the details to the public, ensure that those responsible are made to take responsibility, and move forward quickly on the task of resolving the unidentified payments. (Embassy Tokyo's LDP staffer contact confided that at least some of the "vanishing" pension payments were almost certainly pocketed by premium collectors at the SIA, and those cases would never be resolved.) She added that the LDP will adopt an election strategy of linking the current pension mess to "sabotage" by SIA bureaucrats seeking to quash reform, thus strengthening the argument to abolish the agency and privatize its functions. Most employees at the SIA belong to unions affiliated with the DPJ.

18. (C) Contacts in the ruling party, as well as journalists and others, have been telling the Embassy for weeks that these bills would have to take a back seat to other priorities, such as the three education-related bills currently under consideration in the Upper House, the Iraq Special Measures Law, and now the National Public Service Law. Practically speaking, it is better to leave the bills in the Lower House without taking a vote on them until the next session, according to party insiders. Bills left in the Upper House at the expiration of one Diet session cannot be carried over to the next session and need to be reintroduced in the Lower House the following term. Another practical consideration is that any extension of the Diet session to try to consider additional bills could shift the schedule for the elections. Abe told the press on June 6 that he has "no intention of extending the Diet session at the moment." The deputy of the DPJ secretariat also assured the Embassy on June 6 that there will be no extension. The opposition appears to have shelved plans to submit a no-confidence motion against Abe, at least temporarily.

SCHIEFFER